

State of Idaho

Legislative Services Office

Individual Entity Audit Report

A communication to the Joint Finance-Appropriations Committee

IDAHO BEAN COMMISSION

FY 2006 and 2007

Report OP40207
Date Issued: April 24, 2008

Serving Idaho's Citizen Legislature

FOREWORD

PURPOSE OF AUDIT REPORT

Our fiscal/compliance audit of the Idaho Bean Commission was made to determine:

1. The adequacy and accuracy of the fiscal records and the reliability of the internal control system in order to issue an opinion on the fairness of the Commission's financial statements.
2. The degree of compliance with various State laws, rules, and regulations affecting the fiscal operations of the Commission.
3. The areas in the financial operations that could be improved.

SCOPE OF AUDIT

We examined the financial operations of the Commission for the fiscal years ended June 30, 2006 and 2007.

The audit was performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* published by the U.S. Government Accountability Office (GAO).

Information contained in this report was gathered from accounting and administrative records. We also interviewed Commission personnel.

AUDIT AUTHORIZATION

Reported to the Joint Finance-Appropriations Committee as directed by the Legislative Council of the Idaho Legislature, authorized by Idaho Code, Section 67-429.

ASSIGNED STAFF

Shannon Thomas, Staff Auditor

ADMINISTRATION AND TECHNICAL REVIEW

Don H. Berg, CGFM, Manager, Legislative Audits Division
Chris Farnsworth, CPA, Managing Auditor

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EXECUTIVE SUMMARY LEGISLATIVE AUDITS

IDAHO BEAN COMMISSION

PURPOSE AND SCOPE – We have audited the financial statements of the Idaho Bean Commission for the fiscal years ended June 30, 2006 and 2007, in accordance with auditing standards generally accepted in the United States of America. The purpose of our audit is to determine whether the Commission's financial statements are materially accurate and reliable, and that it complied with laws and regulations affecting fiscal operations.

CONCLUSION – We conclude that the Commission's financial statements are materially accurate and reliable, and fiscal operations materially comply with related laws and regulations. As a result, we issued an unqualified opinion on the Commission's financial statements.

FINDINGS AND RECOMMENDATIONS – There are no findings and recommendations in this report.

PRIOR FINDING AND RECOMMENDATION – The prior report included one finding and recommendation, which is summarized below.

PRIOR FINDING #1 – Some of the Commission's accounting and internal controls are inadequate. The Commission has five separate bank accounts. Utilizing multiple checking accounts creates errors and confusion, and is unnecessarily time-consuming. The Commission also withdrew about \$40 to purchase office supplies, but was unable to supply documentation to support the purchases; recorded staff budgeted and actual travel expenditures as \$0 on one budget report and as \$450 and \$560, respectively, on another budget report; and issued some checks with only one Commissioner's signature instead of two signatures as required by Idaho Code.

We recommended that the Commission eliminate all but one checking account, use the accounting system to account for activities, and make other needed accounting and internal control improvements.

The Commission consolidated the checking accounts into a single account and implemented reconciliations and review procedures. The accounting system is now more fully utilized and the Idaho Code section was amended to require only one signature.

STATUS – CLOSED

AGENCY RESPONSE – The Commission has reviewed the report and is in general agreement with its contents.

FINANCIAL SUMMARY – The Commission is primarily funded by a 12¢-per-hundred weight tax on beans sold through primary trade channels in Idaho.

IDAHO BEAN COMMISSION

BALANCE SHEET

	<u>June 30, 2007</u>
ASSETS	
Cash and Investments	\$209,814
Receivables	<u>77,649</u>
Total Assets	<u><u>\$287,463</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts Payable	\$711
Payroll and Benefits Payable	<u>4,485</u>
Total Liabilities	<u>\$5,196</u>
Fund Balance:	
Unreserved Fund Balance	<u>\$282,267</u>
Total Liabilities and Fund Balance	<u><u>\$287,463</u></u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

	<u>June 30, 2007</u>
REVENUES	
Bean Tax	\$197,097
Interest Income	10,129
Miscellaneous Income	1,452
Grant Income	<u>27,463</u>
Total Revenues	<u><u>\$236,141</u></u>
EXPENDITURES	
Administrative Expenses	\$90,266
Research	50,000
Marketing and Promotion	<u>70,998</u>
Total Expenditures	<u>\$211,264</u>
Excess (Deficiency) of Revenues	\$24,877
Net Change in Fund Balance	
Beginning Fund Balance	<u>257,390</u>
Ending Fund Balance	<u><u>\$282,267</u></u>

OTHER ISSUES – We discussed other matters with the Commission which, if addressed, would improve internal control, compliance, and efficiency.

This report is intended solely for the information and use of the Idaho Bean Commission and the Idaho Legislature and is not intended to be used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the administrator, Diana Caldwell.

QUESTIONS CONCERNING THIS AUDIT SHOULD BE DIRECTED TO:

Don H. Berg, CGFM, Manager, Legislative Audits Division

Chris Farnsworth, CPA, Managing Auditor

Report OP40207

AGENCY RESPONSE

Idaho



Bean Commission

March 28, 2008

Mr. Don Berg
Legislative Services Office
P.O. Box 83720
Boise, ID 83720-0054

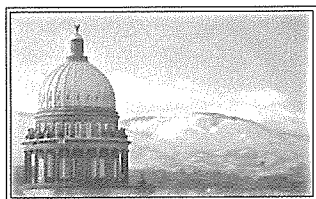
Dear Mr. Berg:

This letter is in response to the audit report for the Idaho Bean Commission covering the fiscal years FY06 and FY07. I have reviewed the audit prepared by Shannon Thomas, staff auditor and agree with the audit finding.

Sincerely,

Diana L. Caldwell

Diana L. Caldwell
Administrator
Idaho Bean Commission



Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

April 2, 2008

Unqualified Opinion on
Basic Financial Statements

Independent Auditor's Report

Diana Caldwell, Executive Director
Idaho Bean Commission
821 West State Street
Boise, ID 83702

Bill Bitzenburg, Chairman
Idaho Bean Commission
3349 North 2500 East
Twin Falls, ID 83301

Dear Ms. Caldwell and Mr. Bitzenburg:

We have audited the accompanying financial statements of the governmental activities and the special revenue fund of the Idaho Bean Commission as of and for the years ended June 30, 2006 and 2007, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the special revenue fund of the Commission as of June 30, 2006 and 2007, and the respective changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2008, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered when assessing the results of our audit.

05

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

Don H. Berg, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

The Commission has not presented the Management Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Sincerely,

A handwritten signature in black ink, appearing to read "Don H. Berg". The signature is fluid and cursive, with a large initial "D" and a long, sweeping underline.

Don H. Berg, CGFM, Manager
Legislative Audits Division

STATE OF IDAHO
IDAHO BEAN COMMISSION
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2006 AND 2007

	June 30, 2006 Governmental Activities	June 30, 2007 Governmental Activities
ASSETS		
Cash and Cash Equivalents	\$4,001	\$9,759
Receivables	41,231	77,649
Investments	216,935	200,055
Total Assets	<u>\$262,167</u>	<u>\$287,463</u>
LIABILITIES		
Accounts Payable	\$1,510	\$711
Payroll and Benefits Payable	3,267	4,485
Non-current Liabilities:		
Due Within One Year		
Compensated Absences	1,698	1,585
Due In More Than One Year		
Compensated Absences	676	630
Total Liabilities	<u>\$7,151</u>	<u>\$7,411</u>
Net Assets		
Unrestricted	<u>\$255,016</u>	<u>\$280,052</u>
Total Net Assets	<u><u>\$255,016</u></u>	<u><u>\$280,052</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
IDAHO BEAN COMMISSION
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2007

<u>Fiscal Year 2006</u>			Net (Expenses) Revenues and Changes in Net Assets Governmental Activities
Function/Programs:	<u>Expenses</u>	<u>Charges for Services</u>	
Governmental Activities			
Administration	\$83,552	\$0	(\$83,552)
Research	50,000		(50,000)
Marketing and Promotion	<u>78,783</u>	<u>22,365</u>	<u>(56,418)</u>
Total Legislative Branch	\$212,335	\$22,365	(\$189,970)
General Revenues:			
Bean Tax			\$202,610
Interest Income			<u>7,839</u>
Total General Revenues			<u>\$210,449</u>
Change in Net Assets			<u>\$20,479</u>
Beginning Net Assets			<u>234,537</u>
Ending Net Assets			<u><u>\$255,016</u></u>
<u>Fiscal Year 2007</u>			
Function/Programs:	<u>Expenses</u>	<u>Charges for Services</u>	Net (Expenses) Revenues and Changes in Net Assets Governmental Activities
Governmental Activities			
Administration	\$90,107	\$0	(\$90,107)
Research	50,000	0	(50,000)
Marketing and Promotion	<u>70,998</u>	<u>28,915</u>	<u>(42,083)</u>
Total Legislative Branch	\$211,105	\$28,915	(\$182,190)
General Revenues:			
Bean Tax			\$197,097
Interest Income			<u>10,129</u>
Total General Revenues			<u>\$207,226</u>
Change in Net Assets			<u>\$25,036</u>
Beginning Net Assets			<u>255,016</u>
Ending Net Assets			<u><u>\$280,052</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
IDAHO BEAN COMMISSION
BALANCE SHEET
GOVERNMENTAL FUND
AS OF JUNE 30, 2006 AND 2007

	June 30, 2006 Special Revenue Fund	June 30, 2007 Special Revenue Fund
ASSETS		
Cash and Investments	\$220,936	\$209,814
Receivables	41,231	77,649
Total Assets	<u>\$262,167</u>	<u>\$287,463</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts Payable	\$1,510	\$711
Payroll and Benefits Payable	3,267	4,485
Total Liabilities	<u>\$4,777</u>	<u>\$5,196</u>
Fund Balance:		
Unreserved Fund Balance	\$257,390	\$282,267
Total Liabilities and Fund Balance	<u>\$262,167</u>	<u>\$287,463</u>

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET ASSETS

	FY 2006	FY 2007
Total Fund Balance for Governmental Fund	<u>\$257,390</u>	<u>\$282,267</u>
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Long-term liabilities are not due and payable in the current period, and are therefore not reported in the funds. This consists of compensated absences.	<u>(2,374)</u>	<u>(2,215)</u>
Net Assets of Governmental Activities	<u>\$255,016</u>	<u>\$280,052</u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
IDAHO STATE BEAN COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEARS ENDED JUNE 30, 2006 AND 2007

	Year Ended June 30, 2006	Year Ended June 30, 2007
Revenues		
Bean Tax	\$202,610	\$197,097
Interest Income	7,839	10,129
Miscellaneous Income	1,439	1,452
Grant Income	20,926	27,463
Total Revenues	<u>\$232,814</u>	<u>\$236,141</u>
Expenditures		
Administration	\$83,757	\$90,266
Research	50,000	50,000
Marketing and Promotion	78,783	70,998
Total Expenditures	<u>\$212,540</u>	<u>\$211,264</u>
Excess (Deficiency) of Revenues over Expenditures	\$20,274	\$24,877
Beginning Fund Balance	237,116	257,390
Ending Fund Balance	<u><u>\$257,390</u></u>	<u><u>\$282,267</u></u>

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

	FY 2006	FY 2007
Net Change in Fund Balance for the Governmental Fund	<u>\$20,274</u>	<u>\$24,877</u>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, that is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This requires an adjustment for compensated absences.	<u>205</u>	<u>159</u>
Change in Net Assets of Governmental Activities	<u><u>\$20,479</u></u>	<u><u>\$25,036</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE #1

SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL REPORTING ENTITY

The financial statements of the Idaho Bean Commission have been prepared in conformity with United States generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below.

The Commission contributes to the cost-sharing, multi-employer Public Employee Retirement System of Idaho (PERSI). PERSI is administered by the State of Idaho and the Commission is not the major participant in the plan; therefore, the plan financial statements are not included in this report.

BASIS OF PRESENTATION

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities report all activities of the Commission as governmental activities. These activities are financed primarily by the bean tax assessed on all beans as they enter the channels of trade in Idaho.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Commission. Direct expenses are those specifically associated with a function and, therefore, are clearly identifiable to a particular function. Program revenues include fees and charges paid by recipients for goods or services offered by the program. Revenues not classified as program revenues are presented as general revenue.

Fund Financial Statements

The fund financial statements provide information about the Commission's Special Revenue Fund. Fund financial statements differ from government-wide financial statements as explained below.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities are presented on the balance sheet. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, only current assets and current liabilities are generally included on the balance sheet. Revenues are recognized when measurable and available. The Commission considers all revenues reported in the Special Revenue Fund to be available if the revenues are collected within 60 days following year-end. Bean assessments and interest are considered to be susceptible to accrual. Expenditures are recorded when the related liability is incurred, except for compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. The Commission did not acquire any capital assets in fiscal years 2006 or 2007.

BUDGETS AND BUDGETARY ACCOUNTING

The Commission adopts an annual budget on a modified accrual basis. Idaho Code, Section 22-2917, provides the Commission with a continuous appropriation. Therefore, spending authority is not limited by the legislature.

OTHER

Refunds received are credited to the original expenditure classification.

Accounts payable are vendor-payment transactions occurring after the June 30 fiscal year-end for goods and services received by the Commission prior to June 30.

The Commission participates in various self-insurance programs established by the State for property and casualty losses and employee health insurance. Coverage includes property, general liability, and workers' compensation.

NOTE #2

CASH AND INVESTMENTS

The ending cash balances at June 30, 2006 and 2007, consist of checking and savings deposits totaling \$4,026 and \$9,785, respectively, which are insured by the Federal Deposit Insurance Corporation (FDIC).

The Commission participates in the Local Government Investment Pool, an unrated external investment pool sponsored by the Idaho State Treasurer's Office. A copy of the State's *Comprehensive Annual Financial Report (CAFR)*, including the investment pool's financial statements, is available from the Office of the State Controller, Bureau of Reporting and Review, P.O. Box 83720, Boise, Idaho 83720-0011.

Interest Rate Risk

The following schedule represents the Commission's investments in the external investment pool and a distribution of the pool's maturities at June 30, 2006 and 2007.

	<u>Fair Value</u>	<u>Maturity</u>
June 30, 2006		
Investment in External Investment Pool	\$215,910	1 Yr. Average
June 30, 2007		
Investment in External Investment Pool	\$199,529	1 Yr. Average

The State Treasurer has an informal investment policy that limits certain investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

NOTE #3

COMPENSATED ABSENCES

State of Idaho employee benefits include vacation and sick leave allowances. Overtime may be earned under provisions of the Fair Labor Standards Act and State law. Overtime is commonly referred to as "compensatory time" or "comp time" since employees may take time off for the accrued overtime. For purposes of earning and accruing overtime, there are three general classes of employees:

1. Those who earn overtime at 1.5 times regular pay rates and may be paid for the overtime or take time off.
2. Those who earn overtime at the same rate as regular pay rates and may only take time off.
3. Those ineligible for overtime.

Under certain circumstances, employees eligible for overtime may accrue earned administrative leave on an hour-for-hour basis. Earned administrative leave is treated similarly to vacation leave but is not subject to any limitation. Upon termination, the following accrued leave balances are paid:

1. Vacation leave
2. Earned administrative leave
3. Overtime for those eligible for payment

All vacation and compensatory pay is accrued in the government-wide financial statements when the benefit is incurred. A liability for these amounts is reported in the government funds only if they have matured, for example, as a result of employee resignation or retirement.

Upon retirement, 50% of the unused sick leave value, not to exceed 600 hours, is used by the Public Employee Retirement System of Idaho to purchase supplemental health insurance for the retiree.

The changes to compensated absences are:

	Fiscal Year 2006	Fiscal Year 2007
Beginning Balance	\$2,579	\$2,374
Increases	1,888	2,559
Decreases	<u>2,093</u>	<u>2,718</u>
Ending Balance	<u>\$2,374</u>	<u>\$2,215</u>

Of the total amount at June 30, 2006 and 2007, the Commission estimates, based on past experience, that \$1,698 and \$1,585 are due within one year, respectively.

NOTE #4
PENSION PLAN

The Public Employee Retirement System of Idaho (PERSI), a cost-sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. Designed as a mandatory system for eligible State and school district employees, the legislation provided for political subdivisions to participate by contractual agreement with PERSI. A financial report for the plan is available from PERSI.

After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits once they reach the age specified by their employment classification. For each year of credited service, the annual service retirement allowance is 2.0% or 2.3% (depending on employee classification) of the average monthly salary for the highest consecutive 42 months.

For the year ended June 30, 2006, the required contribution rate for general employees was 10.39% and 6.23% of covered payroll for the Bean Commission and its employees, respectively. The Commission's contributions required and paid were \$3,946,

\$6,065, and \$7,821, respectively, for the three years ended June 30, 2005, 2006, and 2007.

The PERSI Choice plan makes up the State's defined contribution retirement plan. Statutes governing PERSI Choice are in Idaho Code, Title 59, Chapter 13. Participants direct their own investment mix without restriction and may elect to change their salary deferral every pay period.

NOTE #5
FUNDING

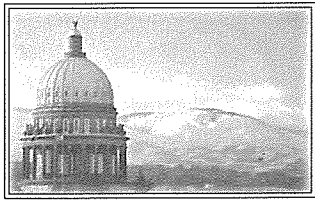
The Commission is financed by a 12¢-per-hundred weight tax collected by the Commission on beans as they enter the primary channels of trade in Idaho. The amount of funds received by the Commission is subject to various conditions, including market price, storage of beans, weather, and number of acres planted.

NOTE #6
LEASES

The Commission is committed to an operating lease for its office space. The office space lease term is from December 1, 2003 through March 31, 2008. The lease cannot be cancelled.

Lease expenditures were \$10,887 in fiscal year 2006 and \$11,989 in fiscal year 2007. Future minimum lease payments are shown below:

<u>Fiscal Year Ending June 30</u>	
2008	<u>\$4,576</u>
Total	<u><u>\$4,576</u></u>



Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

April 2, 2008

Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statements Performed in Accordance
With Government Auditing Standards

Diana Caldwell, Executive Director
Idaho Bean Commission
821 West State Street
Boise, ID 83702

Bill Bitzenburg, Chairman
Idaho Bean Commission
3349 North 2500 East
Twin Falls, ID 83301

Dear Ms. Caldwell and Mr. Bitzenburg:

We have audited the financial statements of the Idaho Bean Commission as of and for the years ended June 30, 2006 and 2007, and have issued our report thereon dated April 2, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph, and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified one internal control deficiency that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

Don H. Berg, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

Statehouse, P.O. Box 83720
Boise, Idaho 83720-0054

Tel: 208-334-2475
www.legislature.idaho.gov

financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

We consider the deficiency described below to be a significant deficiency in internal control over financial reporting.

2007-01 Government Auditing Standards place the responsibilities on management for the preparation of the comprehensive financial statements and notes for the audit report. The Commission does not have an internal control system designed to provide for the preparation of the comprehensive financial statements being audited. As auditors, we were requested to draft the comprehensive financial statements and notes from the Commission's accounting system. This circumstance is not unusual for an entity the size of the Commission. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

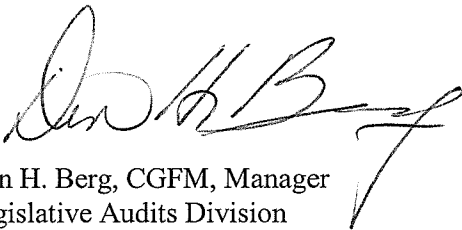
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Commission's internal control. The above significant deficiency is not considered a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Idaho Bean Commission and the Idaho Legislature and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in dark ink, appearing to read "Don H. Berg", with a stylized flourish extending from the end of the signature.

Don H. Berg, CGFM, Manager
Legislative Audits Division

APPENDIX

HISTORY

The Idaho Bean Commission was created by the 1957 Idaho Legislature. The authority for the establishment and operation of the Commission is contained in Idaho Code, Sections 22-2905 through 22-2923. Idaho Code, Section 22-2919 provides that receipts be deposited in banks or trust companies. This section also provides that disbursements be made from a bank or trust account. Idaho Code, Section 22-2920 provides for the use of funds received.

The primary purpose of the Commission is to promote beans as a food source. The Commission also investigates and procures more effective and efficient bean production, merchandising, and transportation methods. The Commission prescribes and enforces suitable and reasonable regulations relating to the administration of bean taxes. It possesses authority to audit records of bean growers, handlers, and dealers relative to bean taxes due by these groups.

FUNDING

The Commission's financial operations are funded by a 12¢-per-hundred weight tax collected from growers, handlers, or dealers. This is an increase from 6¢-per-hundred weight that took effect July 1, 1992. The Commission collects the tax as beans enter the primary channels of trade in Idaho. The growers pay 8¢, and the dealers pay 4¢. Tax revenues are subject to diverse conditions, including market price, storage, weather, and volume of beans planted and harvested.

ORGANIZATION

The Commission consists of eight members appointed by the Governor. Each member must have been a resident of Idaho for three years immediately prior to appointment, and be actively engaged in growing, processing, or shipping beans produced in Idaho. Four members must be growers involved in the production of beans. They cannot be handlers, dealers, or processors. One "grower" member is appointed from each district within the State. Three members of the Commission are engaged in bean processing or shipping. The last member must be engaged in snap bean seed processing or shipping. Processor or shipper Commission members are appointed at large, keeping in mind, as far as possible, geographic locations representative of the Idaho bean industry.

During the period of this audit, the Commission had a full-time administrator and a part-time secretary. The Commission contracts for bookkeeping services.